

Message Text

SECRET

PAGE 01 ABU DH 00583 261352Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----261411 061635 /42

P R 261217Z FEB 77

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC PRIORITY 5678

INFO AMEMBASSY JIDDA PRIORITY

AMEMBASSY TEHRAN

AMEMBASSY ALGIERS

AMEMBASSY BONN

AMEMBASSY CARACAS

AMEMBASSY DOHA

AMCONSUL DHAHRAN

AMEMBASSY JAKARTA

AXMBASSY KUWAIT 3205

AMEMBASSY LIBREVILLE

AMEMBASSY LOKJBN

AMEMBASSY PARIS

AMEMBASSY QUITO

AMEMBASSY ROME

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

AMEMBASSY LAGOS

AMEMBASSY MUSCAT

USINT BAGHDAD

S E C R E T ABU DHABI 0583

EXDIS

DEPT PASS BAGHDAD

E.O. 11652: GDS

TAGS: ENRG, TC, SA

SUBJ: SAUDI-UAE CONSULTATIONS ON OPEC

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REF: ABU DHABI 574

1. DURING MY MEETING WITH PETROLEUM UNDER SECRETARY
ABDALLAH ISMAIL ABOUT UTAYBA INTERVIEW IN AL-ITTIHAD,
HE GAVE ME SOME ADDITIONAL DETAILS ABOUT YAMANI'S
VISIT TO ABU DHABI ON FEB. 22 (REFTEL).

2. ISMAIL SAID THAT LETTER WHICH YAMANI DELIVERED TO UAE PRESIDENT SHAIKH ZAYID FROM CROWN PRINCE FAHD THANKED THE UAE FOR ITS SUPPORT OF SAUDIS AT DOHA OPEC CONFERENCE AND LOOKED TO CONTINUED CLOSE COOPERATION AND COORDINATION OF OIL POLICIES OF BOTH COUNTRIES. YAMANI BRIEFED ZAYID ON SECRETARY VANCE'S RECENT VISIT TO RIYADH AND ON SAUDI ARAB'S FAVORABLE PERCEPTIONS OF EFFORTS OF PRESIDENT CARTER'S ADMINISTRATION TO MOVE TOWARD A MIDDLE EAST SETTLEMENT. ISMAIL SAID SAUDIS FELT THIS PITCH WAS NECESSARY BECAUSE ZAYID SEES HIS DECISION TO SUPPORT SAUDI PRICE LINE VERY MUCH IN POLITICAL TERMS IN THAT ZAYID HOPES IT WILL ASSIST THE USG IN ITS OFFERTS TO GET MIDDLE EAST NEGOTIATION PROCESS MOVING AGAIN.

3. MOST INTERESTING OBSERVATION WAS ISMAIL'S STATEMENT THAT YAMANI PUSHED ZAYID HARD TO GET THE UAE TO INCREASE ITS PRODUCTION AT THIS TIME BEYOND PREVIOUSLY ANNOUNCED ALLOWABLES (OR FROM 2 MILLION TO 2.2 MILLION BPD). HE POINTED OUT THAT ADPC COULD INCREASE ITS ON SHORE PRODUCTION ALMOST OVERNIGHT BY 250,000 BPD (ALTHOUGH ANY INCREASE BEYOND THIS FIGURE WOULD REQUIRE TIME AND ADDITIONAL INVESTMENT). YAMANI ARGUED ON TWO GROUNDS. FIRST THAT IT WAS MORAL THING TO DO TO ASSURE THAT ADDITIONAL SUPPLIES OF OIL BE AVAILABLE AT THIS TIME OF HIGH DEMAND. SECOND, IT WOULD COME AT AN IMPORTANT PSYCHOLOGICAL MOMENT WHEN SAUDI EFFORTS TO INCREASE OIL PRODUCTION HAD BEEN UNDERCUT BY BAD WEATHER IN GULF, DELAYS IN GETTING INCREASED PRODUCTION FACILITIES ON LINE, AND HUGE PURCHASES OF OIL IN JANUARY AND FEBRUARY BY OIL IMPORTERS BECAUSE OF

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UNUSUALLY COLD WEATHER. THESE FACTORS HAD OVERTURNED PREVIOUS SAUDI ESTIMATES THAT OIL DEMAND WOULD DROP SHARPLY AND SAUDI AVAILABILITIES WOULD RISE SIGNIFICANTLY DURING FIRST QUARTER OF 1977 AND THAT THESE FACTORS WOULD MOVE SOME OF OPEC PRICE HAWKS TO CHANGE THEIR POSITION. YAMANI HAD TOLD ZAYID THAT HE EXPECTED THAT SAUDI OIL PRODUCTION IN FEBRUARY WOULD REACH 10 MILLION BPD AND EVENTUALLY RISE TO 11.5 MILLION BPD, ALTHOUGH IT WOULD TAKE AT LEAST SIX MONTHS TO REACH LATTER FIGURE BECAUSE OF BOTTLENECKS IN PRODUCTION FACILITIES. ACCORDING TO ISMAIL, SHAIKH ZAYID PROMISED TO STUDY THE SAUDI PROPOSAL.

4. COMMENT: IT WOULD APPEAR THAT SAUDIS ARE STRIVING TO REGAIN AS QUICKLY AS POSSIBLE THE UPPER HAND IN THEIR PSYCHOLOGICAL CAMPAIGN AGAINST THE SHAH ON OIL PRICE ISSUE. UAE FINDS ITSELF SQUARELY IN MIDDLE ON QUESTION OF RAISING PRODUCTION AND IT WILL BE TOUGH DECISION FOR

ZAYID TO MAKE GIVEN SHAH'S EARLIER PUBLIC STATEMENT
THAT INCREASED UAE PRODUCTION WILL BE SEEN AS
AN ACT OF AGGRESSION.
DICKMAN

NOTE BY OC/T: ABU DHABI 0583 PASSED BAGHDAD.

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NNN

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